

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

INFO AMEMBASSY OTTAWA

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TAGS: ETND,ETRD, MX

SUBJECT: US FERROUS SCRAP EXPORTS

REF: STATE 179061

1. MEXICAN DCM SAENZ DELIVERED NOTE ON FERROUS SCRAP TO DEPT ON SEPT 17. IN IT, MEXICANS NOTED THEIR TRADITIONAL RELIANCE ON U.S. FOR SCRAP SUPPLIES; CLAIMED THAT MEXICAN SCRAP PURCHASES HAVE NOT BEEN DISRUPTIVE FACTOR IN U.S. SCRAP MARKET; NOTED THAT MEXICAN SCRAP PURCHASES HAVE BEEN EXCLUSIVELY FOR USE AND NOT FOR SPECULATION OR RESALE; AND REQUESTED THAT USG MAKE SUFFICIENT SCRAP AVAILABLE TO MEXICAN USERS. NOTE ESTIMATED NEAR-TERM MEXICAN SCRAP REQUIREMENTS AS FOLLOWS: SECOND HALF CY1973, (ALL FIGURES IN METRIC TONS) 450,000 TONS SCRAP STEEL, PLUS 90,000 TONS SCRAP RAILS AND AXLES, FOR TOTAL OF 540,000 TONS; FIRST HALF CY 1974, 540,000 TONS SCRAP STEEL, PLUS 110,000 TONS

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RAILS AND AXLES, FOR TOTAL OF 650,000 TONS. COPY OF NOTE

AND ACCOMPANYING CHARTS AIR POUCHED TO AMEMBASSY MEXICO.

2. DEPTOFFS TOLD SAENZ THAT USG DATA INDICATED US SCRAP EXPORTS TO MEXICO THIS YEAR LIKELY TO BE UPWARDS OF A RECORD 980,000 NET TONS. FIRST HALF CY 1973 EXPORTS WERE 502,000 NET TONS, WITH INDICATED 478,000 NET TONS PLUS FOR SECOND HALF. SAENZ EXPRESSED PERSONAL VIEW THAT

MEXICAN SCRAP USERS WERE PROBABLY "FAIRLY WELL OFF" FOR THIS YEAR, BUT WERE CONCERNED OVER 1974 SUPPLY OUTLOOK, AND ASKED RE USG SCRAP POLICY FOR 1974. DEPTOFFS REPLIED THAT USG CURRENTLY COLLECTING INFORMATION ON EXPECTED FOREIGN SCRAP DEMAND IN 1974, AS INPUT INTO DEVELOPMENT OF 1974 POLICY. THEY HOPED TO BE ABLE PROVIDE SAENZ WITH SOME INFORMATION RE 1974 POLICY LATER IN OCTOBER.

3. NOTING MEXICO'S LONG HISTORY AS AN IMPORTANT US SCRAP EXPORT MARKET, SAENZ REITERATED REQUEST FOR SPECIAL TREATMENT OF MEXICO (AND CANADA), AS SPECIAL CASES. HE NOTED HERE THAT GATT PROVIDED FOR SUCH SPECIAL TREATMENT IN CASE OF CONTIGUOUS COUNTRIES, AND STATED THAT PRECEDENT FOR SUCH TREATMENT EXISTED IN US OIL IMPORT PROGRAM WHICH FAVORED CANADA AND MEXICO.

4. DEPTOFFS AND COMMERCE DEPT OFFICER THANKED SAENZ FOR THE DATA HE PRESENTED IN NOTE AND SAID USG WOULD GIVE IT CAREFUL STUDY. RUSH

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